

Establishing ownership

Cheryl and Grayson are going to open a camp for dirt bike riders. It will be a place where people can come and ride their dirt bikes and camp out overnight. Their long-range plan includes building cabins on the property that can be rented to the bikers.

Grayson asks Cheryl, "Do you think we should operate our business as a partnership or a corporation since we can't be a sole proprietorship?" Cheryl thought about it awhile and said, "You know, Grayson, there is a chance that someone could get hurt and we would be responsible if the accident was on our property. Let's choose the form of ownership that would help protect us and others too!"

"Good idea, Cheryl. Let's start investigating and see what we can find!"

Work as a Team Why do you think the possibility of someone getting hurt would be a big concern for Cheryl and Grayson? What other considerations do you think business owners should have when choosing a legal form for their business?



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There are several forms of business ownership to consider.

WHAT WENT WRONG

Partnership Woes

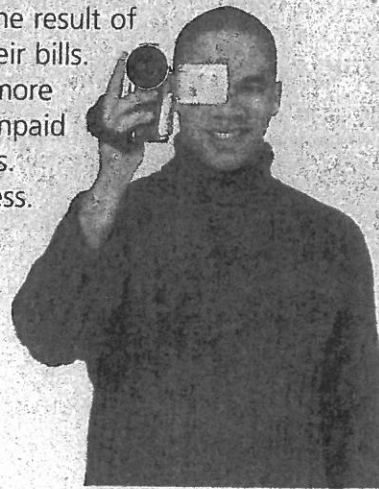
Stan and Peter met while working at a video production company. Stan was in charge of editorial and production. Peter ran the sales force. Stan decided to begin his own company and invited Peter to join him. SP Communications seemed like a perfect partnership. Peter would handle sales and administration, while Stan managed clients and directed production.

Things seemed to be going well until Peter decided he wanted to be a part of the creative process. He spent most of his time producing videos rather than looking for new business. Because of their friendship, Stan trusted that Peter was taking care of his side of the business.

As it turned out, Peter wasn't very good at the creative tasks he took on. He made mistakes that reduced expected profits. In addition, he wasn't making new sales contacts, which was supposed to be his main job.

By the time Stan realized what was happening to the business, it was too late. There weren't any new sales. What Stan thought

were profits were the result of Peter not paying their bills. Stan was left with more than \$150,000 in unpaid bills and other debts. Peter left the business. It took Stan three years to dig out of the financial mess and get his new company up and running successfully.



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Think Critically

1. How might Stan and Peter have avoided the problems that led to the end of their partnership?
Choose your partners wisely.
2. Why is this situation a good example of the difficulty in maintaining partnerships between friends?
3. What types of things should be spelled out completely between partners at the beginning of the partnership?